

INDEX

Management of Funds for Individuals Participating in Community Residential Programs

200-12-DD

	Page
I. PURPOSE.....	2
II. FINANCIAL RIGHTS.....	3
III. FINANCIAL MANAGEMENT	4
IV. INDIVIDUAL CHECKING/SAVINGS ACCOUNTS	5
V. ACCOUNTS FOR PERSONS LIVING IN ICF/MR COMMUNITY	7
RESIDENCES WHERE SCDDSN IS REPRESENTATIVE PAYEE	
VI. CASH ON HAND.....	9
VII. DEATH OF AN INDIVIDUAL	10
VII. TRANSFER OR DISCHARGE.....	10
IX. REVIEW	10

ATTACHMENTS:

A. Sample Statement of Financial Rights	12
B. Sample Provider Financial Authorization.....	14
for Application and Management of Entitlements and Benefits	
C. Sample Provider Financial Authorization	15
for Management of Personal Funds	
D. SCDDSN Financial Authorization for	16
Management of Personal Funds	
E. SCDDSN Financial Authorization for	17
Application and Management of Entitlements and Benefits	
F. Questions and Answers.....	18

Reference Number: 200-12-DD

Title of Document: Management of Funds for Individuals Participating in Community Residential Programs

Date of Issue: June 30, 1992

Effective Date: June 30, 1992

Last Review Date: August 13, 1993 **NO REVISIONS**

Date of Last Revision: June 30, 1992

Applicability: Community Providers, Regional Offices, Regional Centers

I. PURPOSE

This document establishes requirements for management by county disabilities and special needs boards and other community providers ("providers") and SCDDSN regional finance officers of funds belonging to individuals being served in the following residential programs through contract with the South Carolina Department of Disabilities and Special Needs:

- Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Management Contracts
- ICF/MR Match Contracts (Provider has a direct contract with the State Health and Human Services Finance Commission.)
- Supervised Living I and II
- Community Training Home I and II
- Community Residential Care Facility

Unless specifically stated otherwise, future use of the terms "funds" and "personal funds" in this document refers to funds belonging to individuals living in the residential programs listed above.

For purposes of this directive, the title Intermediate Care Facility for the Mentally Retarded (ICF/MR) is synonymous with Habilitation Facility.

This document requires providers to meet the following objectives:

- ensure that funds are properly spent and safeguarded;
- provide appropriate and suitable documentation of funds through current and accurate maintenance of financial records;
- protect the financial interest of individuals whose funds are being managed by providers of their residential programs;
- assist individuals in money management training; and
- promote normalization in the use of money to the extent of each individual's capability.

All providers are required to develop and implement policies and procedures for properly accounting for and maintaining personal funds by September 30, 1992, consistent with this

document. Such local policies and procedures must ensure that the financial objectives listed in this section are met.

II. FINANCIAL RIGHTS

A. Financial Status Upon Admission

Each individual or the individual's fiscal representative is required to provide a financial statement of the person's resources upon admission. This financial statement should be updated when significant changes occur or upon the request of the facility staff.

B. Custody of Funds

Individuals should be requested to entrust personal funds to the provider or to SCDDSN for ICF/MR management contracts except in one of the following cases:

- (a) The individual chooses to manage his/her own funds;
- (b) The individual's interdisciplinary team justifies another financial management alternative;
- (c) Another party has been appointed representative payee by the Social Security Administration; or
- (d) The person has chosen another to be his/her financial representative.

"Personal funds" includes all monies held in cash or in accounts in financial institutions at the time of admission, all wages received, all cash benefits received by the individual, and monetary gifts.

A person may manage his or her personal financial affairs or may designate another party to do so in accordance with the Statement of Financial Rights in the sample form in Attachment 1. (For individuals residing in management contract ICF/MR's, the appropriate Statement of Financial Rights is included with 200-02-DD, Financial Management of Personal Funds.) When a person or his/her fiscal representative authorizes the provider to manage his/her personal financial affairs, the authorization will be accomplished through the use of Financial Authorization forms. (Copies are included as Attachments B and C, but different forms may be used with prior approval of SCDDSN, Fiscal Management.) In the case of an individual in a management contract ICF/MR, this financial authorization assigns responsibility to SCDDSN (Attachments D and E). Neither the provider nor SCDDSN is responsible for any personal funds that are not held by the provider or SCDDSN or under control of the provider or SCDDSN.

C. Financial Rights

All provider staff having access to any funds shall be bonded. The amount of the bond shall be sufficient to cover all funds to which the staff have access. If the bond has a deductible, the provider is responsible for any losses less than the deductible amount. If

any resident loses funds due to improper action on the part of the provider, or lack of appropriate action or precaution on the part of the provider, the loss shall be reimbursed by the provider to the resident.

Each person must be informed of his/her financial rights by the case manager or other staff prior to or at the time of admission to a residential program. There must be a written acknowledgment in the person's file that the financial rights have been explained to his/her guardian, parent, next of kin, sponsoring agency or representative when:

- (a) The person is found by the interdisciplinary team to be mentally incapable of understanding his or her rights, and this finding is documented in the his/her file; or
- (b) The person has been adjudicated incompetent in accordance with state law. A copy of the order must be placed in the person's permanent file.

This notification shall be acknowledged in writing by the person, or the person's guardian, parent, next of kin, sponsoring agent, or representative through the use of the Statement of Financial Rights form. The signed Statement of Financial Rights shall be placed in the person's permanent file. A sample form is contained in Attachment 1.

D. Fees for Service

All fees charged to individuals will be determined in accordance with the principles outlined in Section II F of 108-01-CP, General Duties of the Office of the Commissioner. For individuals in ICF/MR management contract facilities, fees will be charged in accordance with 200-02-DD, "Financial Management of Personal Funds."

Fees to be charged and a person's financial responsibilities will be included as an attachment to the statement of financial rights. If any costs are to be shared with other individuals living in the same residence, the costs and the method of sharing are to be included in the attachment.

III. FINANCIAL MANAGEMENT

A financial plan for each person shall be determined by the interdisciplinary team and included in the person's program plan. Whenever possible, an individual's parent or guardian should be made part of the planning process.

Provider staff are responsible for adhering to the established financial plan for each person in the program. Training shall be provided to assist individuals in becoming more independent and responsible in the management of their funds.

Personal funds shall not be borrowed by the provider or loaned by the provider to another person for any purpose. Personal funds shall not be combined or commingled in any way with the provider's or SCDDSN's operating funds.

Personal funds shall not be used to pay the cost of any staff expenses except to the extent that established fees for services are used to cover providers' or SCDDSN's operating costs. Exceptions for staff expenses may be approved in an individual's program team in a meeting called specifically to address the issue.

Review of a provider's management of personal funds will be included in all monitoring performed by the provider or SCDDSN.

IV. INDIVIDUAL CHECKING/SAVINGS ACCOUNTS

The following procedures apply to all residential programs listed in Section I except ICF/MR management contracts which are covered in Section V.

A. Establishment of Account

A checking and/or savings account must be established by the provider for each individual and maintained according to the following guidelines.

- (a) This account must be separate from any other accounts of the provider.
- (b) Each account will be in the individual's name and social security number, or will indicate that the account is for the benefit of the individual.
- (c) All benefit or entitlement checks received by the individual shall be deposited into his/her account.
- (d) All other funds (such as wages or gifts) shall be deposited unless an exception to this procedure is approved for programmatic reasons by the interdisciplinary team and documented in the person's financial plan.
- (e) All withdrawals require a co-signature of the facility or program director or his or her designee, unless the person's financial plan specifically waives this requirement.
- (f) A copy of the bank signature card should be placed in the person's permanent file.
- (g) Individuals are responsible for bank check charges and normal service charges for commercial bank or savings accounts. No charges associated with collective accounts will be charged to individuals whose funds are maintained in the collective accounts.

A provider may, with approval of SCDDSN Central Office, maintain a collective account for individuals' personal funds. A collective account must be supported by a system of record keeping sufficient to establish a separate sub-account for each person having funds in the collective account and to allocate any interest earned to each sub-account within the collective account. All requirements of individual checking or savings accounts apply to individual sub-accounts within a collective account. A collective account should not prevent an individual with appropriate financial skills identified through his/her Individual Program Plan (IPP) from having an individual checking account.

B. Procedures

The following procedures should be implemented in managing checking or saving accounts:

- (1) To ensure accountability for major purchases, all items costing \$50 or more must be purchased by check from the person's account. Other smaller items may be purchased with cash.
- (2) All sources of income for an individual must be deposited into his or her account unless otherwise specified in the financial plan included with the individual's IPP. All income must be deposited within five business days of receipt.
- (3) Where possible, Social Security, Supplemental Security Income, Veterans Administration benefits, and other unearned income should be on the automatic deposit system to a person's bank account.
- (4) A check should be written from an individual's account to the provider to cover allowable fees for service.
- (5) Providers who, on the date of implementation of this document, have already established procedures that allow payment to the provider for fees to be deducted from an individual's income sources before deposit into the individual's account may request approval from DMR Central Office to continue this practice. This procedure shall not be established by any additional providers or for any new programs of providers who currently have this practice.
- (6) Individual bank statements must be reconciled to the balances in the associated check registers or other ledger within ten business days of receipt. The bank statement will be reconciled by a staff member who is not a co-signer for the account, and the statement, "Reconciled on (Date of Reconciliation) by (Reconciler's Signature)," should be written on the front of the bank statement. If the account is out of balance by more than \$5 and the problem is not identified and corrected within ten business days, the person doing the reconciliation shall notify the facility or program director, the individual's case manager or QMRP, and the Executive Director. If the Executive Director has not resolved the problem within five additional business days, he/she will notify the SCDDSN regional office. The SCDDSN regional office will review the problem and determine appropriate follow up actions, including, where necessary, referral to the SCDDSN Division of Internal Audit. The actions taken by the regional office must be documented in all cases, and copies of the documentation must be maintained on file at the regional office. Bank statements and individuals' accounts will be subject to periodic review and audit by SCDDSN regional office staff and the SCDDSN Internal Audit Division, and annual review by the provider's external auditor.
- (7) Cancelled checks, deposit slips, and receipts of purchases must be attached to the monthly bank statement. Receipts for incidental items of a non permanent nature do not have to be retained. Examples of such items are snacks, video rentals, movie tickets. Receipts for all purchases made by staff on behalf of residents should be retained. The bank reconciliation and receipts must be retained on file for at least six years, or, if an audit exception is found, until resolution of the audit. In the case of an

audit exception, the audit team will indicate when retention of the statements is no longer required.

- (8) Each person must have reasonable access to his/her personal funds and financial records. Each person will receive a report of his/her account(s) at least quarterly.
- (9) All transactions for an account will be recorded in a check register or similar ledger.

V. ACCOUNTS FOR PERSONS LIVING IN ICF/MR COMMUNITY RESIDENCES WHERE SCDDSN IS THE REPRESENTATIVE PAYEE

This section outlines procedures that apply to personal funds of all individuals living in ICF/MR management contract residences. For these people, SCDDSN is responsible for establishing their Medicaid eligibility and doing the necessary reporting of financial resources to maintain their Medicaid eligibility. These responsibilities require SCDDSN's direct involvement with these individuals' funds. Funds for these individuals are managed using two accounts - one a community account that functions similarly to a checking account, and one a regional bank account that functions similarly to a savings account.

A. Establishment of Regional Bank Accounts

A regional bank account will be established at the respective regional facility for each individual in an ICF/MR management contract facility. The regional account is the individual's master checking/savings account. Department Directive 200-02-DD "Financial Management of Clients' Personal Funds" must be followed with respect to withdrawals from the account.

B. Background

It is necessary to maintain an amount of personal funds in the local community for individuals living in ICF/MR management contract residences in commercial banking checking accounts. This will ensure that they have reasonable access to their funds and have the opportunity to improve their money management abilities.

Rather than individual commercial checking accounts, a provider may, with approval of SCDDSN Central Office, maintain a collective account for individuals' personal funds. A collective account must be supported by a system of record keeping sufficient to establish a separate sub-account for each person having funds in the collective account and to allocate any interest earned to each sub-account within the collective account. All requirements of individual checking or savings accounts apply to individual sub-accounts within a collective account. Use of a collective account should not prevent an individual with appropriate financial skills identified by a provider through his/her Individual Program Plan (IPP) from having an individual checking account.

The commercial community checking account is an extension of the individual's regional master account, and all expenditures out of the community checking account must be posted to the regional account. This is accomplished by operating the community checking

account as an imprest account. Funds required for major purchases should be accumulated and requested from the individual's regional bank account.

C. Establishing The Community Checking Account

-

- (1) The provider must make arrangements with a local bank of an individual's choice for him/her to use.
- (2) Individuals are responsible for bank check charges and normal service charges. There are no charges associated with regional bank accounts. No charges will be made to individuals whose funds are maintained in a collective account.
- (3) Each account must be established in a person's name and social security number, or will indicate that the account is for the benefit of the individual.
- (4) The maximum balance is \$200. Executive directors may request approval from regional finance offices of a higher maximum balance on an individual basis when the request is supported by the financial plan for the person as stated in his/her IPP.
- (5) The checks must be signed by the person and a staff person designated in the regional bank signature file to approve personal funds drafts and group withdrawals. It is recommended that two staff plus the individual be on the commercial bank signature card, but in all cases except incapacitating illness or death, the individual must sign the check.
- (6) A copy of the commercial bank signature card, with the name and address of the bank and account number, is to be sent to the regional finance office to be placed in the person's financial record. A copy is to be placed in the person's unit record.

D. Replenishing The Checking Accounts

The regional facility director will establish procedures in compliance with 200-02-DD, "Financial Management of Clients' Personal Funds," to replenish the commercial checking accounts. These procedures should ensure that supporting documentation provides enough detail to post expenditures accurately to the individuals' regional bank accounts. The community residence director will request replenishment, as needed, but must replenish at least once each quarter in an amount equal to the funds spent.

E. Maintenance of the Checking Account

-

- (1) All provisions for community accounts outlined in Section IV A and B shall apply to the community accounts for individuals in management contract ICF/MRs except B (2), (3), and (4).
- (2) All income shall be deposited into the regional bank account. Each region will establish procedures to accomplish this.
- (3) All provider fees shall be paid from the regional bank account.
- (4) One of the major goals in maintaining the community checking account is money management training. Therefore, the checking account activity (expenditures) should be reviewed as a minimum at the individual's annual program plan meeting.

- (5) Monthly statements from the regional bank of the individual's account shall be produced and forwarded to the provider. These statements shall be filed along with the commercial bank account statements.

F. Discharges/Transfers: Closing Community Checking Accounts

-

- (1) Transfers within the provider facilities will only require transferring the checkbook registers, checks, and bank statements to the new community residence director. The bank signature card must be updated and copies placed in accordance with item V, C (6), "Establishing the Community Checking Account."
- (2) Transfers and discharges outside of a person's current provider's facilities will require that the present account be closed and a new account be established by the new provider. Regional facility directors will establish local procedures to ensure receipt of and reviews of all checking account supporting documentation to include the checkbook registers, checkbooks, unused checks, and bank statements. Closed account records will be filed at the regional finance office for six years.
- (3) The time lines outlined in Section VIII shall apply to both the community account and the regional bank account.

Regional staff assigned to monitor standards shall review selected cases during the annual standards review and monitor other cases as indicated. Community checking account activity will be monitored by the regional finance office and is subject to various state and federal audits.

VI. CASH ON HAND

For all community residential programs the interdisciplinary team should determine the amount of cash an individual may have on his/her person at any one time. Unless supported programmatically and documented in the individual's financial plan, cash on hand should not exceed \$50. The interdisciplinary team should determine the amount of funds per week that an individual may spend through cash purchases.

A system of record keeping must be established to account for all cash held by residential staff rather than by individuals. The system must be sufficient to show at any time the amount of the cash held by residential staff belonging to each resident, and to show all additions to and uses of this cash by residents. Actual counts of cash held by residential staff, and agreement of the counts to the records must be done monthly by someone who does not have authority to receive or disburse cash. The count and agreement to the records must be documented in the cash records.

A person may withdraw spending money from his or her bank account by writing a check made payable to his/her name or to a business entity, or by withdrawing funds from a savings account. An entry will be made in the memo section of the check register or the savings account passbook indicating a withdrawal for "weekly spending money." A CHECK WILL NEVER BE WRITTEN TO CASH. All checks must be written to a person or entity.

VII. DEATH OF AN INDIVIDUAL

A. Funds Frozen

At the time of death, all funds held or controlled by the provider or SCDDSN (for management contracts) are frozen. No disbursements except reasonable funeral expenses can be made without legal authority of the probate court in the county of the person's legal residence. Usually, an individual's legal residence will be the county where the individual was receiving residential services.

B. Notification of Death

Within ten days of the date of death, the provider or SCDDSN regional office (management contracts) shall notify the probate judge in writing of the individual's death. A copy of this notification shall be sent to the parent, next of kin or correspondent, the financial representative, the case manager, and the probate court of the county in which the facility is located. If an individual owns property in other counties or states, probate judges in those counties or states must also be notified.

The following information must be included in this notification:

- (1) A complete financial accounting and listing of the deceased person's assets and known liabilities (Funds owed to the provider should be included under liabilities.);
- (2) The name and address of the parents/guardians or next of kin;
- (3) The name and address of the executor/executrix, if known;
- (4) A request for legal authorization of any disbursements of funds from the person's conserved funds.

VIII. TRANSFER OR DISCHARGE

Within five business days of the transfer or discharge of an individual, a check from the person's account and a copy of his/her financial statement reflecting the most current information available shall be forwarded to the person's new residence. For persons living in ICF/MR management contract facilities, the check will be from the regional bank account.

The amount of the check shall be the balance in the person's account less an amount estimated to be needed to cover any outstanding liabilities/bills of the person. All outstanding liabilities/bills should be settled or paid within 60 days after transfer or discharge. The remaining balance, if any, shall then be forwarded to the person's new residence, and the account shall be closed.

IX. REVIEW

For persons living in residences other than ICF/MR's, case management staff shall monitor individuals' expenditures for appropriateness and agreement with the financial plan included in the individuals' IPPs as part of the six month plan of service update. The records shall be

annotated "Reviewed on (Review Date) by (Case Manager's Signature)." The results shall also be recorded in the case management notes.

For individuals living in community ICF/MR's, the individuals' social workers or social services representatives shall monitor the accounts for appropriateness of the expenditures and agreement with the financial plan included in the individuals' IPPs on a quarterly basis. The records shall be annotated "Reviewed on (Review Date) by (Social Worker's Signature)." The results of the review shall be recorded in the individuals' records. SCDDSN staff shall review selected cases during their annual standards review and monitor other cases as indicated. Bank statements, receipts, and funds will be subject to review by the provider's and SCDDSN's auditors.

Deputy State Director for
Fiscal Management
(Originator)

State Director
(Approved)

Attachments follow:

SAMPLE STATEMENT OF FINANCIAL RIGHTS

FOR AN INDIVIDUAL RESIDING IN A RESIDENTIAL PROGRAM OPERATED BY PROVIDER ORGANIZATION

1. It is required that a financial statement of the individual's resources be provided and that each individual be requested to entrust personal funds to (Provider) except in cases where alternative financial arrangements have been made.
2. An individual has the right to receive, retain, and manage his or her personal funds, have this done by a legal guardian, designate another person to manage them, or authorize Provider in writing to hold, safeguard, and account for his or her personal funds.
3. (Provider) shall hold, safeguard, and account for an individual's personal funds only upon written authorization by the individual, parent, guardian, or other responsible party or if Provider is appointed as the individual's representative payee.
4. (Provider) will not charge any individual to hold, safeguard, and account for personal funds but shall include any charges for this service in (Provider) residential fee.
5. In accordance with (Provider's) policy, current, written, individual, records of all financial transactions involving an individual's personal funds, for which (Provider) is custodian, will be maintained.
6. In accordance with (Provider's) policy, each individual will be provided with reasonable access to his or her own financial records and personal funds.
7. Each individual's personal funds received by (Provider) for holding, safeguarding, and accounting will be kept separate from (Provider's) funds.
8. For an individual who has been managing his or her own funds and becomes incapable of doing so, (Provider) will serve as temporary representative payee. This will continue until a permanent representative payee is appointed.

These rights/services have been explained to me and I understand how they affect me. I have designated _____ to manage my personal financial affairs in a manner consistent with my financial plan outlined in my Individual Program Plan.

Individual's Name: _____

Signature: _____

Date: _____

Witness: _____

As parent, guardian, or responsible party, these rights/services have been explained to me and I understand how they affect my relative/individual with whom I am concerned. I understand that I am signing on his/her behalf.

Name: _____

Relation to Individual: _____

Date: _____

Signature: _____

Witness: _____

-

Statement of Financial Rights
Supporting Schedule 1

**(PROVIDER ORGANIZATION)
FINANCIAL AUTHORIZATION
FOR APPLICATION AND MANAGEMENT OF ENTITLEMENTS AND BENEFITS**

I hereby authorize the _____
(Provider Organization)

to research and apply for any and all financial aid available to
_____, not to exceed the cost of services rendered
(Client Name)

by the South Carolina Department of Disabilities and Special Needs.

Financial Aid referred to in this document includes, but is not necessarily limited to, Social Security, Title XIX - Medicaid, VA Pension, Health Insurance, and CHAMPUS.

Signature of Parent/Guardian/
Other Responsible Party

Signature of Resident

Relationship to Client

Address

City, State Zip Code

Telephone Number

Sworn before me on this _____ day

of _____ 19____.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires_____

**(PROVIDER ORGANIZATION)
FINANCIAL AUTHORIZATION
FOR MANAGEMENT OF PERSONAL FUNDS**

☐ I give

☐ I do not give

Authorization to the _____
(Provider Organization)
to manage personal funds belonging to _____
(Client Name)

Personal funds include but are not necessarily limited to benefits from the Social Security Administration, Veterans Administration, Supplemental Security Income, wages, and funds sent by parents, organizations and friends.

Signature of Parent/Guardian/
Other Responsible Party

Signature of Resident

Relationship to Client

-

Address

-

City, State Zip Code

-

Telephone Number

Sworn before me on this _____ day
of _____ 19____.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires_____

**SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS
FINANCIAL AUTHORIZATION
FOR MANAGEMENT OF PERSONAL FUNDS**

☐ I give

☐ I do not give

Authorization to the _____
(Provider Organization)

to manage personal funds belonging to _____
(Client Name)

Personal funds include but are not necessarily limited to benefits from the Social Security Administration, Veterans Administration, Supplemental Security Income, wages, and funds sent by parents, organizations and friends.

Signature of Resident

Signature of Parent/Guardian/
Other Responsible Party

-

Relationship to Resident

-

Address

-

City, State, Zip Code

-

Telephone

Sworn before me on this _____ day
of _____ 19____.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires _____

**SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS
FINANCIAL AUTHORIZATION
FOR APPLICATION AND MANAGEMENT OF ENTITLEMENTS AND BENEFITS**

I hereby authorize the South Carolina Department of Disabilities and Special Needs to research and apply for any and all financial aid available to _____ not to
(Client Name)

exceed the cost of services rendered by the South Carolina Department of Disabilities and Special Needs. Financial Aid referred to in this document includes, but is not necessarily limited to, Social Security, Title XIX - Medicaid, VA Pension, Health Insurance, and CHAMPUS.

Signature of Parent/Guardian/
Other Responsible Party

Signature of Resident

Relationship to Client

Address

City, State Zip Code

Telephone Number

Sworn before me on this _____ day
of _____ 19____.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires_____

DRAFT DIRECTIVE ON MANAGEMENT OF INDIVIDUALS' FUNDS QUESTIONS AND ANSWERS

NOTE: This attachment poses certain frequently asked questions concerning the directive on the management of individuals' funds, and gives answers to the questions. Included with the answers are discussions of the issues raised by the questions. This information should be used as further clarification of the language of the directive.

1. (Reference: I) Would it be appropriate to develop separate directives for each of the different residential programs?

The intent behind this directive is to give providers the minimum guidelines for managing individuals' funds, and to let each provider implement those guidelines in their own setting. These minimum guidelines address the basic requirements for sound financial management of a fiduciary responsibility. These minimum guidelines apply equally regardless of the particular residential program. Therefore, only one directive has been developed.

In the directive, there is one exception to the statement that only basic financial guidelines are given. The exception is the ICF/MR management contract. Because of the retention by SCDDSN of the maintenance of Medicaid eligibility work for individuals in these residences, some very specific procedures are included in the directive.

2. (Reference: II, B) What is a provider's responsibility for the use of an individual's funds when the provider is not the individual's representative payee?

The provider is responsible only for individuals' funds which they hold. If another person is representative payee and has custody of an individual's funds, the provider is not financially responsible for the use of those funds. The provider does have a programmatic responsibility with respect to the use of the individual's funds in that a financial plan should still be incorporated into the individual's IPP, and that IPP, including the financial plan portion, should be continuously monitored and updated. If the individual owes the provider any fees, it is the provider's responsibility to bill the individual or his/her representative payee for the fees, and to follow up on collection of the fees.

3. (Reference: II, B) Should it be a requirement that the provider be the individual's representative payee?

Social Security Administration determines who is representative payee. Generally, Social Security approves a representative payee that facilitates payment being sent to the beneficiary's residence. The individual or a provider can appeal to Social Security the designation of representative payee. A provider should appeal in any situation where abuse of representative payee status is suspected.

4. (Reference: II, C) Is it necessary to bond all employees who have any access to funds belonging to individuals receiving services from a provider? Will bonding of employees require significant additional expense for providers?

Yes, it is necessary. Purchase of a bond to cover employees who have access to funds belonging to individuals receiving services from a provider, if properly structured, should not cause significant additional expense and should provide coverage to all funds. In considering a bond purchase, two main factors should be decided; the deductible amount and the description of the employees to be covered.

Each provider should determine an amount of money that they are willing to cover from their own funds should the clients' funds be misappropriated or lost. The higher a provider sets this "deductible" amount, the lower the cost of the bond will be. Since certain staff will have access to only minimum funds, the setting of the deductible amount may have the effect of eliminating certain staff positions from the coverage. The provider must cover all losses that do not meet the deductible.

When purchasing a bond, generally it is better to describe the staff positions that are being covered rather than list individual staff names. This again lowers the cost of the bond, and also makes administration of the bond easier since no bond change has to be made when a staff change occurs.

When a bond is properly structured, the cost of the bond will not be excessive.

5. (Reference: II, D) What are the policy safeguards for individuals to protect their interests when financial obligations are shared among individuals?

The policy safeguards here are the same safeguards that cover all activity in the individual's funds. They are:

- Agreement among the interdisciplinary team to the need to share financial obligations.
- Documentation in the individual's IPP of the reasons for sharing and the methods of calculating an individual's shared obligations.
- Reviews for compliance with the IPP of the actual use of an individual's funds to pay shared obligations.

6. (Reference: IV, A, and V, C) Does a checking account for an individual have to include the representative payee in the account name? Should the account be a joint account belonging to both the individual and the representative payee?

The first choice in setting up an account is that the account be in the individual's name. If the account is not in the individual's name (due to programmatic or other reasons) and the provider is the representative payee, then the account should be set up in a manner that shows the fiduciary relationship of the provider to the individual. The account should clearly indicate that ownership of the funds by the individual. Examples of such accounts are:

- ABC County MR Board, Representative Payee for John Jones
- John Jones, by ABC County MR Board, Representative Payee

Joint accounts with both the individual and a staff person as co-owners should not be established.

7. (Reference: IV, A, and V, C) Why are co-signatures required?

In all cases, expenditures of an individual's funds must be acknowledged by the individual to the greatest extent possible. Acknowledgment is made by the individual's signature or mark on all checks on his account. (For individuals whose funds are maintained in a collective account, the document used to initiate withdrawal of the funds from his/her account within the collective account, acts similarly to a check. It must be signed by the individual just as a check must.)

In cases where an individual cannot manage his/her funds without assistance, then it is appropriate for a co-signature to be used. The co-signature, which is limited to those who have responsibility for managing the individual's funds, indicates that the expenditure is an appropriate use of his or her funds.

In some instances, an individual may be able to manage his or her funds independently. When such ability is documented in the individual's IPP, then the bank account may be set up without a co-signature.

8. (Reference: IV, A, and V, C) Should provider residential staff be allowed to be co-signers on residents bank accounts?

If provider residential staff have been assigned the responsibility of managing a resident's funds in accordance with his/her IPP, then it would be appropriate for the staff to be a co-signer. A staff person cannot both be a co-signer and reconcile the account.

9. (Reference: IV, A and V, B) How do the requirements concerning checking accounts apply to collective accounts?

Section IV, A, states that "(a)ll requirements of individual checking or savings accounts apply to individual sub-accounts within a collective account." To meet this requirement, collective accounts have to be structured so that individuals sign a document that acts as a check to withdraw funds, and the document must have a co-signature unless the individual's IPP specifically approves otherwise. Also, there must be a file showing all approved co-signers. All benefit or entitlement checks must be recorded in the individual's sub-account.

The procedures outlined in IV, B, also apply to sub-accounts within a collective account with the exception of the procedures regarding bank reconciliations. References to checks

and deposit should be translated to apply to the documents that act as checks or deposit slips in the collective account.

With a collective account, the bank reconciliation will be done between the collective account as a whole, and the bank account where the funds are on deposit. This reconciliation should be done by provider finance staff. The staff doing the reconciliation should not be approved to authorize the use of any individuals' funds maintained in the collective account. As part of the reconciliation of a collective account, the documentation must show that the individual sub-account balances agree to the total collective account balance.

The reconciliation should be completed within 15 days after month end. If any collective account cannot be reconciled within \$50, the person doing the reconciliation shall notify the Executive Director. The Executive Director shall then follow the same guidelines for reporting the problem as outlined for individual accounts.

10. (Reference: IV, A and V, B) What is the advantage of a collective account? Of individual accounts?

The main advantage of a collective account is administrative ease. With a collective account, there is generally only one bank account to reconcile instead of many. This can represent a significant staff time savings, especially when residential staff are not well versed on the process of bank reconciliations. A collective account can have some advantages in interest earnings since many small balances are accumulated into one larger balance. The main advantage of individual accounts is programmatic. Individual accounts are the most normal, least restrictive way of doing business. They also provide the opportunity for individuals to learn how to handle banking and money matters in the community.

Some argue that collective accounts give greater financial control over individuals' funds by not allowing residential or program staff direct access to funds. With either collective or individual accounts, it is residential or program staff who authorize the expenditure of individuals' funds, and those staff who have the responsibility for using funds in accordance with the IPP. Only the document used to do the authorization is different. (For a bank account, a check is used. For a collective account, something that takes the place of a check will be used.)

Collective accounts require approval by SCDDSN Central Office. Collective accounts generally will not be approved for SLP and CTH programs.

11. (Reference: IV, B and V, E) Why should all benefits be deposited into an individual's account, and his/her fees to the provider be paid from that account, rather than the provider taking fees up front and the balance only being deposited into the individual's account?

Normalization is the basic principle underlying this requirement. The single largest financial responsibility an individual will usually have is the payment of fees to his/her

residential provider. Admittedly, depositing benefits into individuals' accounts and paying fees from those accounts may require some more effort on the provider's part.

An advantage of paying fees from the individual's account is that the account documents all the uses of an individual's funds. This documentation is required by Social Security and other benefit payors. (Such documentation can be provided by alternative methods as well.)

12. (Reference: IV, B, and V, E) How can a provider make sure that an individual does not use all of his/her funds and then not have sufficient funds to pay the fees due the provider?

The IPP should contain a financial plan that, if followed, makes sure that provider fees are paid. The residential staff responsible for the implementation of this IPP must make sure that the plan is followed. When the plan is not followed, it must be addressed as must any other life skills problem, and a plan to change the behavior developed and implemented.

13. (Reference: IV, B) When must receipts for purchases be maintained?

Section IV, B(7), states that receipts for "incidental items of a non permanent nature" do not have to be retained. This general description was used because it is not practical to list all situations and state whether retention of receipts is required or not.

The intention of the requirement is that any time an individual's funds are spent on a tangible item that should be kept by the individual or on a significant service provided to the individual, the provider can demonstrate at a later time that the items shown as purchased were received by the individual, or that the individual did get the service paid for. While receipts are generally necessary, they are not always required. To avoid an institutional bias as much as is financially responsible, residents do not have to request receipts for transactions where receipts are not ordinarily given.

Receipts may be retained more frequently than required by the directive if required by an individual provider, or if thought advisable by staff with responsibility for individuals' funds. It would be appropriate to retain all receipts given, whether required or not. Receipts should be obtained and retained whenever purchases are made by staff on behalf of a resident.

14. (Reference: IV, B) How does direct deposit of benefits work? How are errors handled?

With direct deposit of benefits, the representative payee files a form, generally with the bank where the individual's account is maintained, that authorizes the benefit payer agency to pay the individual's benefits by EFT (electronic funds transfer) rather than by check. After the form has been processed, the paying agency sends all future benefit payments directly to the bank, and the amount is credited directly to the individual's account. The deposit of the funds is reported to the individual on the next bank statement. Any information which the paying agency sends other than the payment will still come directly to the representative payee through the mail.

In a case where a deposit was made to an account in error, the representative payee would contact the bank about the error. The bank would instruct the representative payee in the best process to return the funds. In a case where a deposit was due, but was not made, the representative payee would contact the paying agency to determine what action to take.

Generally, once established, payments by EFT are extremely accurate and trouble free.

15. (Reference: V) Why are regional bank accounts necessary for management contract ICF/MR facilities?

Regional bank accounts and community accounts funded on an imprest basis are used to facilitate the management of Medicaid eligibility. In order to maintain Medicaid eligibility and to do the necessary reporting of financial assets and activity, a person has to have knowledge of all an individual's financial activity. The use of the combination of the regional bank account and a community account is designed to let DMR staff manage Medicaid eligibility while allowing individuals in those residences to have the "normalized" experience that is consistent with programmatic goals. DMR staff continue to manage Medicaid eligibility for residents of management contract ICF/MRs for two reasons - cost effectiveness and financial liability.

Maintaining Medicaid eligibility and billing for Medicaid days requires specialized expertise. Management contract providers do not have to pay for staff with this expertise since DMR does the work. DMR realizes financial "economies of scale."

Because of the current contracting method for management contracts, the cost in lost revenue from incorrect Medicaid billing or from unpaid resident fees is borne by DMR. DMR pays the provider full cost. It is appropriate that DMR handle the billing and collecting process since the result of the process affects DMR's finances.

16. (Reference: V) Will DMR always require the use of the Regional Bank for management contract facilities? Will DMR expand the requirement to use the Regional Bank to other facilities in the future?

As explained in the question above, it is currently the best procedure to continue the use of the Regional Bank for management contract facilities. The Department's intention is minimize and eventually eliminate any differences between management and match ICF/MR facilities. The use of the Regional Bank will be reviewed as part of achieving this goal. If possible, the use of the Regional Bank will be eliminated for individuals not residing in a regional center.

17. (Reference: V) For management contract ICF/MR's, the community account functions on an "imprest basis." What does this mean, and how does it work?

When an account is managed on an imprest basis, funds are first spent from the account and then the account is reimbursed for those expenditures. There is a certain amount of

money put into the account to cover the initial expenditures. After that, only reimbursements of expenditures are deposited into the account. For example, if a resident had a community account set up for a maximum of \$200, \$200 would be put into the account when it was established. If during the week, the resident withdrew \$20 for weekly spending money and made a purchase of clothes that cost \$75, the account would go down to \$105. A request for \$95 would then be sent to the regional bank along with documentation showing how the \$95 had been used. The regional bank would send a check for \$95 which would be deposited into the community account. The community account would then have a balance of \$200 again.

18. (Reference: V) How often should imprest community accounts be replenished?

Accounts must be replenished at least quarterly. In practice, accounts will likely be replenished more frequently. The timing should be determined when a provider has experience on how long it takes to get a replenishment check, and how much an individual is spending. Each regional bank will develop specific procedures and forms on which to request replenishment. The information submitted with a replenishment request must include detail on the expenditures being reimbursed.

19. (Reference: VI) How much cash should be kept on hand in a residence? Under what procedure does cash get to be on hand in a residence?

Section VI states that the amount an individual may have on hand should be determined individually and should be stated in the individual's IPP. The maximum is \$50, unless an exception is programmatically supported in the individual's IPP. The \$50 maximum would apply to the total of cash held by the resident and on the resident's behalf by residence staff.

An individual would get cash on hand through his/her weekly spending allowance. The amount of cash drawn as a weekly spending allowance should also be stated in the individual's IPP. The individual may draw the full weekly allowance each week unless the full draw would cause the cash on hand to exceed the stated on hand maximum for that individual.

The maximum amount that could be on hand in any residence would be the sum of the maximums for the individuals living in that residence.

EXAMPLES:

Total cash on hand: In residence X, there are four residents. Residents A, B, and C each have individual cash on hand maximums of \$50. Resident D has an individual cash on hand maximum of \$40. The greatest amount that could be on hand in that residence would be \$190 (\$50 + \$50 + \$50 + \$40). In counting the cash on hand, cash in the residents' possession and cash held by residence staff should be added. So if Resident A had \$10 with him, Resident B had \$5.50 with him, Residents C and D had no cash, and the staff had cash in envelopes or a box belonging to residents that totalled \$130, the residence would

have \$145.50 cash on hand, and would be within the allowable amount. If, however, the cash held by the staff was \$185, the total cash on hand would be \$200.50, and the allowable amount would be exceeded.

Individual cash on hand: In the example above where the staff held \$130.00, if \$50 of that belonged to Resident A, then Resident A would have a total of \$60 "on hand," the \$10 he held plus the \$50 held by the staff.

This would exceed his maximum of \$50 stated in his IPP. If, however, of the \$130, \$35 belonged to Resident A, his total cash on hand would be \$45 and would be within his personal limit.

Draws of weekly spending allowance: Assume that a resident has a weekly spending amount of \$25, and a maximum amount on hand of \$45. (Both amounts would be stated in the person's IPP.) If, at the beginning of week 1, the resident has a total of \$5 on hand, the full weekly spending amount of \$25 may be drawn. Assume during week 1, the person draws \$25 in cash and spends \$23. Then at the beginning of week 2, the person has \$7 on hand ($\$5 + \$25 - \23). If, during week 2, the person draws \$25 and spends \$10, at the beginning of week 3, the resident would have \$22 cash on hand ($\$7 + \$25 - \10). In week 3, the resident could not draw the full weekly amount of \$25, because it would cause him to exceed his maximum amount of \$45 ($\$22 + \$25 = \47). Problems with managing weekly spending draws can be managed by setting the amounts at levels the residents realistically spend cash.

20. (Reference: IX) Should the review required in Section IX be assigned to residential coordinators rather than to case managers?

The requirement that case managers monitor the expenditure of an individual's funds does not mean that the case manager has to look at individual deposit and payment records. It means that the case manager should review reports on the use of individuals' funds. These reports should be made available to the 6 month review team by the residential staff or the staff actually handling the individual's funds. The case manager's function is to see, along with others on the interdisciplinary team, if the current financial plan is appropriate or needs revision, and if the current plan has been adhered to.²¹(Reference: IX) What work should a provider's external auditors do with respect to individual funds which are held by the provider?

Section IX states that the financial records of individuals' funds managed by a provider are subject to review by the provider's external auditor. This means that the external auditor can look at these records if the auditor determines looking at the records is necessary to meet the requirements of SCDDSN's audit policy or the particular engagement. Whether or not the auditor actually looks at individuals' account is a matter of the auditor's professional assessment of the work he must do. It does not mean that the external auditor will audit each individual's account.

In cases where individuals funds are held in a collective account owned by the provider, the collective account would be included on the provider's financial statement in a manner that reflected the provider's fiduciary responsibility.

22. (Reference: IX) The directive shifts responsibility for the use of individual's funds from finance staff to program staff. Do program staff have sufficient skills to manage this responsibility?

Program staff have always dealt with the use of individuals' funds by requesting or approving payments from individuals' funds. So they have in effect always had this responsibility. Some providers have developed procedures where program staff did not have direct access to funds because no cash was maintained on hand or program staff were not allowed to sign checks. These procedures did mean that someone other than program staff was involved in any use of a individual's funds, but the determination of how funds would be used was still at the program level.

The directive may shift the involvement of provider financial staff. The financial staff still has many opportunities to exercise adequate controls. Provider financial staff may reconcile individual bank statements, or may review reconciliations performed by other staff. Financial staff should establish and review the procedures for handling and recording activities of cash on hand. Financial staff may give general guidelines for individual IPP financial plans, or they may participate in individual POS reviews. Financial staff will review payment of fees owed by individuals to the provider, and can notify appropriate other provider staff, up to and including the Executive Director, whenever there is a problem with an individual paying fees.

Financial staff should be involved in training other staff in financial matters when such training is needed.